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TROJAN HORSE: CHINA'S AUTO THREAT TO AMERICA

Thursday, December 11, 2025

House of Representatives,

Select Committee on the Strategic Competition between the

United States and the Chinese Communist Party,

Washington, D.C.

The committee met, pursuant to call, at 10:04 a.m., in Room 390, Cannon House Office Building, Hon. John Moolenaar [chairman of the committee] presiding.

Chairman Moolenaar. The Select Committee will come to order.

Good morning. Today, the Select Committee on China meets to examine the rise of China's auto industry and what it means for America's economy and national security.

For more than a century, the automobile has been more than just a mode of transportation. It has been a symbol of American innovation, industrial strength, and middle-class prosperity.

Millions of families rely on auto sector jobs, and America's ability to produce world-class vehicles has always been tied to our Nation's global competitiveness. That foundation is now under threat.

China's auto sector is not a commercial success story, it is a political project of the CCP. In just 5 years, China has gone from a minor exporter to the world's largest auto exporter, shipping six million vehicles abroad last year at below-market prices that U.S. and allied automakers cannot match.

With massive subsidies, control over raw materials and supply chains, and a predatory regulatory regime, Beijing has turned its auto industry into a tool of the state.

We have seen this playbook before, in steel, shipbuilding, drones, polysilicon, displays and many other sectors. Each time, subsidized Chinese capacity flooded global markets, bankrupted competitors, and left the United States dependent on China. We cannot allow the same to happen to autos.

Some companies have already begun to move in the right direction. General Motors, for example, has taken meaningful steps to diversify its supply chains out of China, reshore critical production, and rebuild American industrial capacity. That kind of leadership shows what is possible when U.S. firms commit to competing on secure, resilient, and American-made-foundations.

But even when some U.S. companies are taking responsible steps, the national security threat from Chinese-built systems remains even more chilling. Modern vehicles

are digital eyes and ears on wheels. They contain cameras, microphone sensors, and cellular modules that constantly collect data. If those systems are built by Chinese firms subject to Beijing's laws, then every car is a potential spy platform with a kill switch inside.

Experts warn that Chinese suppliers are already controlling more than 70 percent of the global market for the cellular modules that connect vehicles to networks. That dependency creates three risks:

First, Beijing could cut off supply in a crisis, leaving American automakers unable to finish vehicles, similar to during COVID when our automakers were unable to get the chips they needed.

Second, hidden malware could disable fleets of cars and trucks or turn them into battering rams on wheels. Imagine a Chinese invasion of Taiwan with senior U.S. leaders rushing toward the Pentagon and White House to coordinate a response, only to find the roads blocked as Chinese-made vehicles suddenly stall, veer, or lock their brakes.

Third, the massive streams of data generated by cars, from location histories to private conversations, could be siphoned directly to Beijing.

So what comes next? First, we must close the loopholes. Our trade agreements must be enforced and, if necessary, rewritten to keep adversary cars out.

Second, we must codify and expand the Commerce Department's connected vehicle rules, which bar PRC-linked connectivity hardware and software from our roads.

Third, we must protect the domestic sales of vehicles made by foreign entities of concern.

Losing our auto industry would mean losing one million direct jobs and millions more across the service and supply chains. It would mean ceding a pillar of American manufacturing to a hostile power and losing critical manufacturing capacity. It would jeopardize our security by accepting new vulnerabilities on our own roads.

We can avoid that trap and stop the CCP's loaded gun from threatening us if we take decisive action, strengthen our defenses, invest in our own capacity, and set clear rules of the road.

I look forward to the testimony of our witnesses and to working with my colleagues to make sure America's auto future is secure, competitive, and free.

Thank you.

I now recognize the ranking member, Raja Krishnamoorthi, for his opening statement. Raja.

[The statement of Chairman Moolenaar follows:]

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Mr. Krishnamoorthi. Thank you, Mr. Chair.

I want to talk about three things today: First, how the CCP has used their economic playbook to get ahead in the auto industry; second, the race to the auto industry of tomorrow; and third, how the U.S. can win this race.

The U.S. was once the unassailable automobile leader. Henry Ford pioneered mass production and gave us the first car. The U.S. auto industry was pedal to the metal, boosting economic growth and providing millions of good-paying union jobs.

But now, China is in the lead. Let's look at how the CCP used their playbook in the auto industry to steal IP, overproduce cars, export them at unfairly low prices, and then kill the competition.

In the 1980s, when China had virtually no auto industry, Beijing began forcing foreign automakers into partnerships called joint ventures with Chinese companies. The CCP used these partnerships to steal foreign technology and designs.

Here is a picture of what looks like an iconic American car, the Jeep, except look closely. It is not a Jeep. This is a BJ40 made by Chinese state-owned enterprise BAIC.

Let's take a look at another one. This is surely a Land Rover, a European car we all recognize. Wrong again. This is a Land Wind made by JMH, another Chinese state-owned company. And there are many more examples.

The next move in the CCP playbook is to overproduce these cars and export them at cut-rate prices to kill competition, with the help of massive subsidies for the state-owned enterprises.

You can see here that China's domestic demand for cars is flat, at around 25 million cars per year. But that hasn't slowed them down. Look at how China's production capacity and domestic sales have diverged. China's domestic automakers are pumping out

31 million cars a year, regardless of domestic demand, and then dumping the excess on global markets.

Between 2021 and 2024, China's auto exports surged over 300 percent. And their cars appear to be priced below what it would even cost to make a car. For example, one Chinese EV costs merely $4,000.

China is dominating EVs. As we can see here, China sold two-thirds of all EVs in 2024, while the U.S. sold just about 10 percent. Ten years ago, however, China wasn't selling any EVs and the U.S. was dominating the EV market.

Why is China dominating now? Aside from IP theft, massive subsidies, and state-owned enterprises, China recognized that EVs were the market of the future. Here is the best chart that I have to show this. As you can see, EVs were over 20 percent of car sales last year in 2024. But by 2040, EVs will be 60 percent of global new car sales as traditional car sales decline.

Regardless of what you think about EVs, this is where the global auto market is going. The question before us now is this: Who will own the EV market in 15 years? China is ahead in the race today, but we can lead again if we act now. The path forward is this: First, we must stop the CCP from stealing our IP, dumping cheap cars on global markets, and using forced labor in the goods they export worldwide.

Second, let's accept reality. The EV market is the booming segment of the auto market and is an opportunity for American businesses to lead. We got to take this out of politics. This is the reality. EVs are the future. It doesn't have to be a Democrat or a Republican issue. Let's figure this out together.

Finally, we need to launch a generational investment in America's workforce. Many Americans worry that AI and robots like this one will replace them. As we use these new technologies, we must make sure that robots enhance workers' roles, not replace them.

That means upskilling workers to operate AI-driven systems through technical skills training, new career pathways, and better STEM programs and education all the way from kindergarten through 12th grade.

Because if we don't address the challenge head on, we may wake up to find that our auto industry has gone the way of our steel mills, our solar factories, and our shipyards. Namely, we will be lapped in the race with the CCP.

Thank you, and I yield back.

[The statement of Mr. Krishnamoorthi follows:]

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Chairman Moolenaar. Thank you, Ranking Member Krishnamoorthi.

And if any other member wishes to submit a statement for the record, without objection, those statements will be added to the record.

Now I would like to introduce our witnesses today.

Elaine Dezenski is senior director and head of the Center on Economic and Financial Power at the Foundation for Defense of Democracies and was formerly the Acting Assistant Secretary for Policy at the Department of Homeland Security.

Charles Parton is an honorary fellow at the United Kingdom's Council on Geostrategy and is also the Council's chief adviser on China. He has twice been a special adviser to the U.K. House of Commons Foreign Affairs Committee on China and spent over 22 years of his 38-year diplomatic career working on China.

And finally, we are joined by Peter Ludwig, who is the co-founder and chief technology officer of Applied Intuition. He is a third-generation automotive engineer born and raised in Detroit, Michigan, and formerly worked at both Nvidia and Google.

With that, I want to welcome all of our witnesses, and thank you for being here this morning.

Ms. Dezenski, you are now recognized for your opening remarks.

STATEMENTS OF ELAINE DEZENSKI, SENIOR DIRECTOR AND HEAD OF THE CENTER ON ECONOMIC AND FINANCIAL POWER, FOUNDATION FOR DEFENSE OF DEMOCRACIES; CHARLES PARTON OBE, SENIOR ASSOCIATE FELLOW, ROYAL UNITED SERVICES INSTITUTE; AND PETER LUDWIG, CO-FOUNDER AND CHIEF TECHNOLOGY OFFICER, APPLIED INTUITION

STATEMENT OF ELAINE DEZENSKI

Ms. Dezenski. Chairman Moolenaar, thank you so much. Ranking Member Krishnamoorthi, members of the committee, thank you for the opportunity to testify today about China's threats to the auto sector.

For me, the issue is personal. I grew up in the Midwest, including the suburbs of Detroit. My family has worked across the automotive supply chain for three generations. The Detroit that my parents and grandparents knew, of course, is long gone but manufacturing is starting to return to America, and that is good news.

To protect and expand that progress, we must confront the central challenge: China and its system of nonmarket practices across the global automotive supply chain. Chinese companies are now at the forefront of a state-backed strategy to dominate global automotive production. This is not normal industrial production or competition.

China is flooding the global markets with both EVs and traditional vehicles through massive overcapacity, which is driven and subsidized by the State. The result is a wave of Chinese industrial dumping that exports deflation, wipes out competitors and tilts the playing field before cars even reach the showroom. Even Russia, China's so-called no-limits partner, has implemented trade barriers against this overproduction.

China's overcapacity is not an accident and is incentivized at every level of government. While some national EV subsidies have shifted, substantial support continues or has even grown through preferential tax treatment, cheap land and loans, generous R&D subsidies and a patchwork of provincial incentives that together channel billions to Chinese automakers.

These advantages are reinforced by a suite of nonmarket practices that I detail in my written testimony. They include IP theft, forced technology transfer, heavy-handed vertical integration, forced labor and strategic market cornering designed to eliminate foreign competition.

Price manipulation is also a major threat. When one country can raise or crash global mineral prices at will, supply chain diversification becomes almost impossible.

We are not facing these challenges alone. German automakers, among the most competitive in the world, are watching their whole market fill with subsidized Chinese EVs sold below cost. European suppliers are being squeezed by the same mineral price swings and unfair production advantages that harm U.S. firms.

Across the Indo-Pacific, Japan and Korea face strategic dependence on Chinese batteries, materials, and components despite decades of industrial leadership. And Mexico is now China's largest automotive export market.

This gives the United States an opportunity to magnify the impact of trade rules and approach this challenge not only with domestic strategy but with allied coordination and alignment. For example, unified tariffs on Chinese imports, common import restrictions on connected vehicle technology, and clear limits on Chinese control acquired through their investments in Western companies.

And we should be clear. This is not just about protecting OEMs and finished vehicles. The entire automotive supply chain is at risk, but especially the small- and medium-size companies that form the backbone of U.S. automotive manufacturing and adjacent industries.

Unfortunately, that is not all. We also need to consider the companies that don't yet exist, the next generation of innovators. They are even more vulnerable to China's predatory practices. To make the jump from a brilliant idea to manufacturing at scale is difficult under the best of conditions; but when China can manipulate prices and build monopolies, it prevents new market inventions and the dynamic transformation that it no longer makes it to the market at all.

So if the U.S. and its allies want to compete, we need more than world-class cars,

trucks, and SUVs. We need a world-class supply chain, strategically decoupled, resilient, diversified, innovative and anchored by domestic manufacturing and allied coproduction.

Moreover, we need Congress to reinforce, codify, and expand the use of tools, such as the Connected Vehicle Rule, which requires manufactures selling in the U.S. to examine their components based on whether they are subject to Chinese ownership and control, not only examining the location where the component is made. This is very important.

The CV rule alters the landscape of China's ability to use a global manufacturing base to spread its nonmarket practices in our trading blocs, and it can be applied more broadly to address systemic supply chain vulnerabilities.

Congress must commit to a bipartisan strategy to secure U.S. leadership in the global auto industry, build our trade enforcement measures that give teeth to our economic security strategies, and ensure opportunity for American workers for decades to come.

Thank you for the opportunity to testify, and I look forward to your questions.

[The statement of Ms. Dezenski follows:]

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Chairman Moolenaar. Thank you very much.

Mr. Parton, you may proceed.

STATEMENT OF CHARLES PARTON

Mr. Parton. Thank you for the honor of inviting me to your committee. I hope I can live up to it.

Much of what I say concentrates on cellular modules, and I echo in detail what the chairman has already stressed.

First of all, the Chinese Communist Party sees itself in a war with you and with us. And that war is not so much a trade war, it is actually a war between economic systems and, above all, a science and technology war. And I would put full evidence of that war, of that science and technology war to the front.

Three, obviously, we know about, semiconductors, quantum and AI, but cellular modules is the fourth, and I would argue that it is the most immediate danger. Let me explain why.

A cellular model is about the size of a thick credit card. It contains processes, memory, antennae, and it links up through an e-sim to the internet. It is vital for the transmitting of data that cellular modules control, monitor, and send data in and out of whatever system they are in.

And, as you rightly said, modern vehicles are basically laptops on wheels. So you should look at the cellular module as the gateway to those systems, if you like, the conductor of the orchestra. And this applies not just to vehicles but actually to all aspects of your modern economy, whether that is your energy grid, logistics, manufacturing

systems, agriculture machinery, telecommunications. There are over six billion connections now through cellular modules globally. And China, as you said, supplies about 70 percent of those and is aiming for a monopoly.

If it achieves that monopoly, you are absolutely right, one should take very seriously the three threats that you outlined. Dependency. If you think rare earth is a bad dependency to have on China, wait until you are dependent on the cellular modules. It is much, much worse. It is broader.

You are exactly right also about the ability of China to disrupt or to create and destroy your systems. Cellular modules, like any form of IT, has to be updated. Its firmware and software has to be updated.

If China has a hand in that, it can send in malware, turn off your vehicles in the example that you gave, but quite easily it could turn off your cranes or your financial payment terminals or your pipelines or your routers, whatever it is. So why would China fight with America, why not just turn you off.

And thirdly, as you rightly suggest, vast amounts of data, including if you are unwise enough to plug your smartphone into your car, much of the data on your smartphone. But they are, as you rightly said, cars are surveillance platforms.

And I want to emphasize that the threat of cellular modules is not just in Chinese-manufactured vehicles. If a European or an American or Japanese car contains a Chinese cellular module, the threat still exists. And they even apply to cellular modules which might be made in America or Europe if they are using Chinese technology in a way that makes them untrustworthy.

And this is a concept that I think is particularly important. Chinese companies are like a cancer and metastasize. They understand that you are taking measures and will take measures to prevent them. So they are forming American companies, European

companies, other companies to get around those, but the basic problem remains if it is Chinese technology that is behind the cellular modules.

So the idea of a trusted supplier is vital. I put to the committee a series of -- in the written testimony, I have put some recommendations. But in the idea of a trusted supplier, you certainly have to include the concept that the core technology source code is not Chinese, that the updates are not Chinese, the service and the backup service are not accessible, are not in China and are not accessible by China, that you have a certification authority that you can really trust.

I have two final points to make, I think. And I highly commend the Department of Commerce's BIS' Vehicle Connectivity Rule. It is an excellent rule, and it is important because it is an example that can be used in all the other areas of industrial policy, industrial sectors where cellular modules, as I keep emphasizing, are absolutely vital. Legislation rules, et cetera, are only ever as good as the implementation thereof.

And finally, time is of the essence. China sees it already and are fostering a number of cellular modular companies, and investors are losing money. They are not going to do that forever. You probably have, I don't know, 1, 2, 3 years in which to defeat this.

The good news is that unlike AI, quantum or semiconductors, the technology involved in cellular modules is not complicated and, therefore, I think it is relatively simple for the U.S. and its allies to plug this yawning gap in their national and economic security. Thank you.

[The statement of Mr. Parton follows:]

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Chairman Moolenaar. Thank you very much.

Mr. Ludwig, the floor is yours.

STATEMENT OF PETER LUDWIG

Mr. Ludwig. Chairman Moolenaar, Ranking Member Krishnamoorthi, and members of the committee, thank you for the opportunity to testify on the strategic importance of the automotive industry and the challenges posed by the PRC.

As a third-generation automotive engineer born in Detroit, I understand the central role the automotive industry has played in our Nation's history and national security. During World War II, the American automotive sector retooled practically overnight to become what President Roosevelt called the arsenal of democracy.

However, growing up in Michigan, I watched as factories in my backyard shuttered. Our national policies shifted production overseas as China engaged in unfair trade practices. This led to soaring trade deficits and the hollowing out of America's industrial capacity.

To prevail this century, we must reinvigorate Detroit's manufacturing strength and unite it with Silicon Valley's innovation and speed. We must ensure that AI and software-defined vehicles are developed and built in America.

As the AI revolution moves from the screen to the physical world, cars will soon be the most tangible expression of AI in Americans' daily lives. My company, Applied Intuition, has become a leading physical AI company, working with almost every non-Chinese automaker.

We also leverage our automotive expertise to strengthen competitiveness in other strategic industries, including trucking, mining, construction, agriculture, and defense across

air, land, and sea. Our products include engineering tools, operating systems, technologies and advanced autonomous systems.

Earlier this year, we were honored to host Army Secretary Driscoll and Army Chief of Staff General George at our Silicon Valley headquarters. They were impressed with our commercial AI technology and challenged us to retrofit this capability onto an Army infantry squad vehicle, or ISV, in less than 10 days.

Our engineers immediately got to work, and 6 days later the ISV was driving autonomously off road in the California mountains; and 2 weeks later, the ISV was down at Fort Polk in the hands of the 101st Airborne for testing.

Applied Intuition moved this fast because of our commercial technology and our years of experience in the automotive industry. However, China also understands the critical nature of dual-use technologies and is building a compete set of advancements.

Every year, our team attends the auto show in China alongside most global companies in the industry. Only a few years ago, many Chinese companies were producing decent copies of American and European automotive designs. Today, however, the Chinese automakers are producing original vehicles with similar quality to the best Western cars, and highly intelligent vehicles are sold for as little as $10,000, a third the cost of American models.

China's rapid progress is a result of long-term and coordinated industrial policy, state subsidies, supply chain dominance, and investments in STEM talent. The result is an intensely competitive Chinese domestic market with more than 100 manufacturers all racing to out-innovate one another.

Beijing's industrial policy promotes flooding local markets with these low-cost networked vehicles, and this is creating a global physical AI footprint that is reminiscent of Huawei's proliferation of networking technologies. And once these machines are on the

roads, unwinding that dependence will be slow, costly, and politically difficult.

Chinese vehicles pose the same kinds of risks in the physical world that TikTok represents in the digital world. Chinese vehicles operating around the world are already collecting enormous volumes of data that could be exploited.

In closing, Congress and America face a moment where we no longer have the luxury of half measures. We have reached a moment where the outcome, not the mechanism, must drive our decisions. And I believe that means giving the American auto industry a decisive shot in the arm to retake leadership in software-defined vehicles.

We need reciprocal policies to enable fair competition. The PRC cannot have unfettered access to our markets while denying the same to American companies.

Thank you again for this opportunity to testify. I look forward to your questions.

[The statement of Mr. Ludwig follows:]

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Chairman Moolenaar. Thank you.

Let me start with a few questions.

Ms. Dezenski, you have described what happens when China a targets strategic industry with subsidies and overcapacity. If Congress fails to act now, where do you see the U.S. auto industry in the next 5 to 10 years?

Ms. Dezenski. I think we need to understand what the impact will be on the automotive ecosystem. So we have already lost control of some of the critical materials that go into components and parts.

That would continue, and then it would move up the chain. We would begin to lose the part suppliers, so the small- and medium-size entities. We would probably lose the aftermarket in the automotive sector as well, which is already being flooded by Chinese product.

And then we would need to look at the impact on related ecosystems. So it is not just about automotive supply chains. It is about all the adjacent industries that use the same supply chains.

So, you know, where we might not see direct competition, if our tariffs are held up and our import restrictions are held, our companies will continue to weaken, and that will make them vulnerable, including to fire sale and the potential acquisition from foreign entities, which could include Chinese entities or others.

So, you know, it is really a process of degrading this ecosystem. And once we lose the core components, getting this back will take decades. So there really is an urgent need to think about this as an existential threat, but not only for the automotive industry but all the other industries that are tied in.

Chairman Moolenaar. I want to just follow up on that just a minute because, you

know, we have seen China displacing steel, solar, shipbuilding and so many other areas.

What kinds of broader manufacturing capabilities would be threatened in America?

Ms. Dezenski. I guess I would be worried about companies like Boeing in the aerospace sector, you know, major manufacturers of other types of transport equipment, other types of advanced manufacturing processes that benefit from some of the innovation that comes out of the automotive sector.

And, you know, losing this, it is a little bit different than what has happened on solar and steel. It is more like what we are facing with shipbuilding, where we are really starting from scratch to try to rebuild something that we lost because of decades of decline. I think that is kind of where it is headed unless we can put some more forceful intervention in place.

Chairman Moolenaar. Thank you.

Mr. Parton, turning to the national security dimension, if Chinese-made vehicles were widely adopted in the United States, how could Beijing exploit or weaponize those platforms in a crisis?

Mr. Parton. Well, I think, Mr. Chairman, in the many ways that you have already said. I mean, simply by making those vehicles unable to operate.

People often concentrate on cars but I would point more to trucks and vans, because that is where your logistics is concentrated. You want to get stuff in a crisis to the docks in order to get it shipped out to Guam or whatever. Well, what happens if your trucks don't work? What happens if your cranes don't work, which also 80 percent of your cranes have Chinese cellular modules.

So, you know, the examples could just fit in with yours or the Chinese imagination. It is an extraordinarily serious problem.

Chairman Moolenaar. Thank you.

I want to ask all three of you for a simple yes-or-no answer. Given what you know about China's industrial strategy and the risk to U.S. economic and national security, should the United States consider a Federal prohibition on Chinese automobile manufacturers and on suppliers of critical automotive components?

Yes or no, Mr. Ludwig?

Mr. Ludwig. Yes.

Mr. Parton. Yes. I think that is what the Connected Vehicle Rule is aimed at, but it should be reinforced.

Chairman Moolenaar. Ms. Dezenski?

Ms. Dezenski. Yes.

Chairman Moolenaar. Thank you very much. I appreciate your insights, and I look forward to a further discussion on this. And, with that, I would like to turn it over to Ranking Member Krishnamoorthi.

Mr. Krishnamoorthi. Thank you, Mr. Chair.

This is China's Car Valley in the city of Wuhan, which is home to 14 vehicle plants and over 1,400 parts suppliers that ship from China to around the world.

Ms. Dezenski, official Chinese documents show that between 2021 and 2022, companies in Car Valley employed more than 3,000 workers from Xinjiang, right? You have to audibly answer.

Ms. Dezenski. Yes.

Mr. Krishnamoorthi. But these workers are not there by choice. The CCP forcibly sends Uyghurs from Xinjiang across China and not only to Car Valley.

Here, in this photo, we see workers from Xinjiang about to be forcibly transferred to Jiangsu Province with these weird carnations pinned to their chest to make printed circuit boards for Chinese cars. It is estimated that tens of thousands of forced laborers like these

have been sent to factories across China, implicating at least 30 major car manufacturers.

So, Ms. Dezenski, I believe it is essential -- and I hope you agree -- that we root out forced labor from our auto supply chain and aggressively enforce our laws against forced labor, right?

Ms. Dezenski. Absolutely. There are two ways we need to look at forced labor. One is that it is a moral tragedy, and there is no question about that, but it is also an economic cheat.

So when we think about forced labor as one of these nonmarket practices combined with all the other things that are going on, these massive subsidies, the vertical integration, the IP theft, it becomes impossible to achieve competitive gains against that as a Western manufacturer.

Mr. Krishnamoorthi. It feels like we have to root this out of our supply chain. And I have another example for you.

So another way that China is exporting its unfair trade practices is through transshipment. During the first Trump administration, the U.S. imposed Section 301 tariffs on a range of Chinese products, including auto parts, to address unfair CCP trade practices and industrial practices like IP theft. The Biden administration kept those tariffs.

How did the CCP respond? They transshipped products through third countries, and we are not doing nearly enough to stop it. This here is a brake hose and this is a window regulator. This is what allows car windows to go up and down in our cars, and they are inserted in the door panel.

Mr. Ludwig, these parts are in pretty much every American car, right?

Mr. Ludwig. That is correct.

Mr. Krishnamoorthi. Well, the problem is this brake hose is made by a Chinese company called Sunsong, which is suspected of transshipping its products through Thailand.

My staff bought this brake hose just down the street.

These window regulators are made by A-Premium, another Chinese company suspected of transshipping and undervaluing its products. We got these on Amazon.

So, Mr. Chairman, you and I, along with Mrs. Hinson, have a bill to increase criminal prosecution of companies that engage in this transshipment practice.

Ms. Dezenski, we must hold companies that transship and engage in other illegal trade practices accountable, right?

Ms. Dezenski. Yes, there is no question. And I think you are bringing up a really important issue which sometimes gets pushed to the side, which is the capacity for trade enforcement. And it really cuts across many things. It is the investigative side, which you have alluded to, but it is also understanding at a much more granular level the supply chains, the transshipment routes. It even includes trade-based money laundering and the other mechanisms that are used frequently by the CCP and Chinese companies to evade a range --

Mr. Krishnamoorthi. So our bill actually increases the resources for this at DOJ, and so we are hoping that we can make this happen.

Let me turn to my final topic. We talked about unfair Chinese practices, but how can the U.S. compete? It starts with our workforce. Last month, Ford's CEO said he has 5,000 open mechanics jobs because of a skill shortage. And he says we will need over 400,000 auto technicians in the future.

We need to be training workers to fill these positions, but many fear that AI and robots will replace people.

Mr. Ludwig, you have heard the phrase "AI won't take your job but someone using AI will," correct?

Mr. Ludwig. That is correct.

Mr. Krishnamoorthi. As we adopt new technologies such as AI, we must ensure workers' opportunities and their rights advance as well. Places like Washtenaw Community College in Ann Arbor, Michigan, near your district, Mr. Chair, have recognized this and are training auto workers to use AI. At this center, students like these folks, Case, Mick, and Mike, are learning about robotics and quality control with AI tools.

Mr. Ludwig, we need more programs like this to help workers move up the value chain by being someone using AI instead of being replaced by AI, correct?

Mr. Ludwig. Completely agree.

Mr. Krishnamoorthi. Thank you so much, and I yield back.

Chairman Moolenaar. Thank you.

I would now like to recognize Representative Hinson.

Mrs. Hinson. Thank you, Mr. Chairman.

And thank you to our ranking member for again bringing up our very important legislation that we are working on to make sure we have the resources to go after the bad actors who are continuing to undermine American manufacturing every single day.

I want to talk a little bit more about that undermining and things that are happening literally in our own backyard, things that are gaining traction, including new technologies like self-driving vehicles.

And this year, a company called Zoox announced plans to deploy autonomous vehicles in our Nation's capital. Imagine why they would want to be right here in Washington, D.C. Zoox uses Chinese LiDAR from a company called Hesai in these cars. And Hesai, as we know, is a Chinese military company that is listed on the Department of War's 1260H list. And it was the subject of a letter that I led to the head of NASDAQ, the chair, and the CEO, about their listing on our exchanges. We want them off of those exchanges if we are going to be funneling American dollars to things that are going to

continue to undermine our country.

Zoox's announcement to deploy this technology right here in Washington, D.C., raises some serious questions, given their Chinese-reliant technology and their data collection.

So, Ms. Dezenski, what are the national security implications here of allowing this PRC-based technology to gather and process data right here in our Nation's capital, and what are some safeguards that we could put in place to prevent its misuse?

Ms. Dezenski. Well, thanks for bringing up this example. I think it gets right to the point. As we move towards more sophisticated vehicles with the bells and and whistles and features that consumers want, without controlling the technology and the supply chains associated with that, we are really at risk. And it presents a problem when we don't have these alternatives.

We need to be very, very careful about allowing this technology to operate in any way. LiDAR is a particular example, which is concerning because of its surveillance capacity and what might be done with that data. I think we need to look at some prohibitions on this.

We also need to look at what is required to bring other solutions to the market. What can we be doing to advance our own ecosystems for alternatives?

Mrs. Hinson. That was going to be my next question is, not only how do we keep the bad actors out but then how do we keep them out of our auto supply chain entirely.

Is there any insight that you would have? I mean, obviously, they are in the LiDAR sector, but it goes deeper than that.

Ms. Dezenski. Well, I think we need to look at what comes out of the Connected Vehicle Rule and what implications that has for pushing decisions in the supply chain in a way that is more aligned with our national security.

And by that, I mean how do we incentivize the private sector to either develop alternatives or look for alternatives, because it is simply too much risk to allow these into our country.

The other thing we could think about is some sort of national registry just to get a handle on what Chinese tech is coming into this country. It is something we talked about in the context of TikTok but could be applied more broadly. I am not sure we even know the amount of Chinese tech in our markets, so we would need to get a handle on that.

Mrs. Hinson. Right. We just see "American made," but it may include all of those different components that could put us at risk. I do agree we need to be concerned about the vulnerabilities that exist there because you think about the undeniable risk of the CCP firmware that is inside our cars, our trucks, vans, as you mentioned.

In the agriculture sector -- big in Iowa -- obviously, we have got a lot of that incorporated into our parts. And if they are able to remotely turn on and off these drones that are providing fertilizer to our fields, that is highly concerning as well. We saw that happen with some of the equipment that was stolen with the Russia and Ukraine conflict as well.

So, Mr. Parton, I want to touch on something that was in your testimony, a key line that certainly made the hair on my arms stand up. But why would the CCP ever fight the U.S. when it can simply turn off their systems, right? And I think about that risk.

So, given China's brazen efforts to directly hack into our infrastructure, which they have done successfully, as we know, Operation Volt Typhoon and Salt Typhoon, what could a cybersecurity threat look like if our cars, our trucks, our buses, our trains, train cars, that millions of Americans use every single day are targeted and hacked?

Mr. Parton. At a time of tension and war, that means your entire transport and logistic system comes to a halt, in effect, and rendering you unable to resist whatever the

Chinese are doing. I think it is as simple as that. And that is why the cellular module is absolutely crucial.

Mrs. Hinson. So this is a safety issue for the American people. Would you agree?

Ms. Dezenski. I think it is an existential issue as much as -- going beyond just the idea of safety. If your country is totally vulnerable to the Chinese in that scenario, that is Day One.

Mrs. Hinson. Scary thought. Thank you for your time to all of our witnesses, and I yield back.

Chairman Moolenaar. Thank you.

Representative Torres.

Mr. Torres. Thank you, Mr. Chair.

Occam's Razor holds that the simplest explanation is almost always the best. Incompetence is often a simpler explanation than malevolence, but maybe the opposite is true when it comes to the CCP.

When it comes to China's pattern of overproducing and underpricing manufactured goods like vehicles, how much of the overcapacity is malevolence and how much of it is an unintended consequence of China's economic model, which has been described as involution.

Ms. Dezenski, do you want to --

Ms. Dezenski. That is a great question.

Mr. Torres. Because China laments, has been lamenting involution. So I am struggling. Is it malevolence or incompetence?

Ms. Dezenski. Well, I think that they recognize the concern. I mean, there is a bloodbath going on in the domestic market, domestic auto market in China, because they are undercutting each other. It is an absolute mess.

But the subsidies are continuing to flow to the state-sponsored entities and mechanisms that push the export control model to go even faster and even larger. There is no real indication that the CCP wants to put reforms in place that would push back against the deflationary spiral.

Eventually, I think they are going to have to do that, but they are going to try to maximize this export model for as long as they possibly can. And the reality is they can probably hold out a little bit longer. So that is why I think there is a real urgency around responding to this.

So I think it is part by design and it is part a system that has now taken on a life of its own, but politically is very, very difficult to move in a different direction.

Mr. Torres. Our history tells us that wars are won not only in the battlefield but in the factory. The U.S. won World War II because it stood out as the arsenal of democracy with an industrial base that could be rapidly and readily repurposed in a time of war.

During World War II, the U.S. marshalled its industrial might to produce tens of thousands of tanks, hundreds of thousands of aircraft, millions of truck. And automobile manufacturing in particular was the backbone of America, as the arsenal of democracy. Detroit alone produced more war material than fascist Italy.

Is the U.S. as the arsenal of democracy simply a relic of the past? Can it be rebuilt? Can it ever be made to rival the manufacturing might of China?

Ms. Dezenski. I don't think it is out of the question. I think we have to consider what is in the arsenal of modern day. What does that look like? Where do we need to go on drone production? Where do we need to go on advanced manufacturing in general?

What are the tools of the future to protect our Homeland, to work with our allies and partners? So that mix of technology and manufacturing prowess is going to look different. It has to evolve. But I am not sure we are thinking about about it in terms of

building that arsenal, and we should.

Mr. Torres. You know, China has built what Noah Smith calls the electric tech stack on which the world has become increasingly and dangerously dependent. The electric tech stack consists of core technologies like batteries, chips, magnets.

As all of you know, China dominates battery manufacturing. It controls almost all the world's rare earth refining and magnet production. It mass produces legacy chips on a scale that no other country can rival.

President Donald Trump opposes both the Inflation Reduction Act and the CHIPS Act, both of which were aimed at creating an electric tech stack made here in America.

Mr. Ludwig, is it in the strategic and security interest of the U.S. to become dependent on China's electric tech stack rather than create one here in America?

Mr. Ludwig. We should absolutely not become dependent on China's electric tech stack. I would furthermore add that, from the perspective of the auto industry, of which I am a representative, we don't care whether people are buying EVs or internal combustion engines.

The auto industry will create and produce what the consumer demand is. And consumers are extremely rational buyers of vehicles, and they are very thoughtful in terms of cost.

Mr. Torres. But China is outproducing us on both fronts.

Mr. Ludwig. Absolutely.

Mr. Torres. It is producing more vehicles than the United States, Germany, and Japan combined.

Mr. Ludwig. Absolutely. My final point, though, is I think demand for EVs is actually largely driven by electricity prices as one point.

So in California, where I live, I pay almost a dollar per kilowatt hour of electricity,

which makes my wife's vehicle actually more expensive to operate than my gas vehicle. And so that I think the cost of electricity is actually a primary driver of demand for electric vehicles.

Mr. Torres. And China has the solar superpower, so it has plenty of energy --

Mr. Ludwig. Absolutely.

Mr. Torres. -- from all sources.

Thank you, Mr. Chair.

Chairman Moolenaar. Thank you.

Representative Newhouse.

Mr. Newhouse. Thank you, Mr. Chairman, Mr. Ranking Member.

This certainly is an issue that affects more than Michigan. It affects the entire rest of the world compared to China.

I am interested in the subject of the subsidies. And, Ms. Dezenski, you just said something about the competition dynamic in China is kind of a mess, I think you used the word.

So could you talk about what forms of subsidies look like in China and how they compare with I guess what you could call subsidies in the Western world, what they look like. And how can we counter them? I am not sure we want to emulate them exactly.

And then I am also interested in the bigger question of how long can China continue to operate that way in a subsidized world? I mean, that seems like a very unsustainable business model. I guess in the long run, all I have to do is outlast the rest of us, right?

So could you comment on that or anybody else that has any comments or response about that that as well.

Ms. Dezenski. Sure. Thank you. And I will just point out we issued a report over the summer on the advanced battery supply chain and went into a tremendous amount of

detail on the structure of subsidies. So that might be a good reference point.

But let me just list a few: Manufacturing grants, low-interest loans, tax exemption and rebates, consumer subsidies, State and local fleet mandates, and it goes on and on.

The scale and scope of these subsidies is what matters. It has been happening for many, many years. And there is a graph that is coming to mind from our report where we show the amount of subsidies for EVs, for Chinese firms versus the U.S., and there is no comparison. It is many, many, many times more than the U.S. has undertaken. So this is absolutely a state-driven strategy, and they are in it for the long haul, as you have alluded to.

So what does this mean in terms of how long they can go under the structure? That is really the big question. And there are other factors that play into this. It has to do with the real estate bubble. It has to do with their unemployment levels. It has to do with broader deflationary pressure.

But what we can be doing is putting more pressure on this model that will potentially induce some change by having harmonized tariffs with allies and partners, by trying to push consumer demand in the right direction, protecting that demand in Western markets.

We can protect ourselves in the U.S. We are doing that through tariffs and import restrictions. But the rest of the world isn't necessarily doing that, including allies and partners. We have to do it together. That will put the kind of pressure on the market that may have a real influence.

Mr. Newhouse. I appreciate that.

Mr. Ludwig. If I may add one point. From our perspective, these industries are -- we call it the China auto industry and the American auto industry, but these are completely different animals in terms of the incentive structures that exist.

In our capitalist system -- and I am as big of an advocate for capitalism as could

possibly be -- our companies are incentivized to think about revenue and profits and long-term viability of business, and this is how our investors value our companies.

The Chinese system really incentivizes dominance. And so these companies are not in search of profit, they are in search of domination. And you can lose money for a very long time and get zero interest rate or negative interest rate loans for a very long time, and your business can exist for decades before there is that expectation of profit.

And so we have to recognize that those incentives are very different. And if we don't counter those incentives, a company seeking profit versus a company seeking domination, the company seeking domination will win every time.

Mr. Newhouse. Interesting. Interesting.

Mr. Parton, do you have some thoughts?

Mr. Parton. I think your question about how long it continues is an important one. I think if you look at the recent in October indications of what the Chinese next 5-year plan sets out, then I think you will see that Xi Jinping has basically doubled down on the current model in which the state Communist Party is able to channel the bulk of its resources towards achieving his objectives, which I think we have all clearly set out earlier.

And he doesn't have an electorate to bother about. He has surveillance and a repressive system, which I think can contain however unhappy and unemployed people in China might be for a very long time.

And I would also say that on that basis and the basis of our planning, we need to plan that it will continue that way even if, you know, it all fell apart tomorrow, which I don't believe it will. I think it will go on for a relatively long time. But however long it is going to go on for, we must plan that that is the future for us. We have got to take measures.

Mr. Newhouse. I appreciate that, and I see my time is up. But I think this is one of the biggest questions that we in the Western world need to understand. This is a strategy,

a strategy that China is using not just in automobiles but in every category of the economy you can think of.

And just the bigger question I wonder about is how sustainable is that. And, like I said, they just have to outlast the rest of us, I guess, and that seems to be the track they are on.

But thank you, Mr. Chairman. I yield back.

Chairman Moolenaar. Thank you.

Representative Tokuda.

Ms. Tokuda. Thank you, Mr. Chair.

And thank you for being here to present to us. I have a lot of questions going through my head right now, so I am going to try to compartmentalize.

If I am hearing you folks right, China clearly is a state-driven strategy that they are deploying. And, to me, what it is really going to take to match that kind of effort and resources and, quite frankly, as long of a commitment as they are able or even willing to commit to, it is going to require multinational response. This is not something, by any means, the United States can do alone, should do alone.

And so I would just like to hear from you folks your thoughts on how we engage not only unilaterally but especially multilaterally when we take a look at our allies. You already see Japan cracking down on photoresist materials, and that is probably one of the most critical aspects that they can bring to the table in addition to manufacturing equipment. They are trying to really kind of cut down on this China hold on cellular modules, chips, and everything else.

You look at Taiwan at the same time. And, obviously, they are the world's leader foundry. They are the biggest one, if I'm not mistaken, but they also have the most advanced chips as well that they develop.

You even look at the Netherlands and you look at UV lithography machines. Right? I mean, if we think about the various allies that we have in play, Korea, memory chips, advanced logic chips, right? If you think of the allies that we have in our corner with us, what can they strategically bring to the game so that we can effectively not just clamp down but we can really decouple, look to decouple ourselves in the near future from China dominance in these particular areas.

And then if we have time, I would love to know for our contribution to that effort, what should we be putting into a chips 2.0? And we know that even just this past summer with the big ugly bill, we took out a billion dollars in investment from the Wireless Innovation Fund, which really should have put us on track to be able to compete from a technology standpoint, which kind of fell.

What can we put in as our piece of the pie in addition to our allies to really be able to look at successfully decoupling ourselves from China dominance in the market?

Ms. Dezenski. I will jump in on that.

Thank you for the great questions. I will maybe just focus on the first part of your comments and building out something like an allied supply chain.

I do think that that is a necessity, whether we are talking about creating new markets for sourcing critical materials, looking at how to leverage new technologies and coproduce with other Western manufacturing entities, looking at how we can serve each's markets. And I am principally referring to North America, Europe, and then parts of the Indo-Pacific, where we already have alignment in terms of working as competitive marketplaces but where the dependencies are common.

We are going to have a much easier time pushing back against this in the midterm and the long term if we have harmonization. But I think that can actually start right now. I mentioned the idea of common tariff regimes, common import restrictions, investment

review mechanisms. There are things that can be implemented.

I do worry a little bit about the Europeans and whether they are coming along in terms of understanding the existential nature of this threat. It is a complicated relationship, for example, between the Germans and the Chinese for a lot of reasons. But we have to move along in that conversation, and we should be thinking about our trade negotiations in the context of these types of big existential challenges.

Mr. Parton. Yeah, I would echo that. But also, what I like about the Vehicle Connectivity Rule is the pressure it puts on your allies.

I don't think in the U.K. our government has sufficiently considered what the effect of these sorts of rules would be on our own economy. For instance, in the U.K. automotive industry, I think it exports about 80 percent of its product, either finished or components. If the American market is closed to those, we better wake up.

And the American market is a very important market to Europe. So if you are saying to Europeans, you want access to our market, these are the rules, you better stick by them, that I think is a very important shaper of the way that companies will behave.

But I think your bigger point is also very important. If you look at the -- how does one define it? Five Eyes countries they are called, you know, the free and open countries, whatever, however you would like to define it. We represent a very large chunk of global GDP. I can't remember the exact figure. Sixty-seven comes to mind, but I may have got that wrong.

If there is an agreed set of the way you trade, operate, invest and everything else, between us, anyone can join, but you stick by the rules in the way that China did not stick by the rules in the WTO.

That I think would be a very effective mechanism if we can bring it about. But I take your point that Europe is and my own country I think are still insufficiently alert to what

we are facing from China.

[11:03 a.m.]

Mr. Ludwig. I know we are over time, but if I may just add one point, in our capitalist system where the CEOs of American corporations are very much rational thinkers and they are practically incentivized to think about the profits of their corporation. There has always been a natural incentive to lower costs. And so historically lowering costs has meant offshoring manufacturing and doing things overseas. I think in doing that, you do achieve a short-term bump in stock price, a short-term bump in GDP. I think that's overlooking the fact that the loss of some of these critical industries has a far greater cost to the country than the benefit of stock price and short-term profits of these companies. I hope that our policies take those existential threats into consideration.

Ms. Tokuda. Mr. Chair, we talked about that yesterday how we have to get away from America's love of cheap things and good deals and go more towards that America first conversation we had, so thank you very much.

I yield back.

Chairman Moolenaar. Thank you. Representative Kim.

Mrs. Kim. Thank you, Mr. Chairman Moolenaar and thank you to our witnesses for joining us today on important discussion.

But before I ask questions, I would like to submit for the record a statement from Alliance for Automotive Innovation that expresses deep apprehension in the state-subsidized, expert-oriented, model of Chinese automakers and their threat to American manufacturing.

Chairman Moolenaar. Without objection, it will be added to the hearing record.

[The information follows:]

******** COMMITTEE INSERT ********

Mrs. Kim. Thank you.

And secondly, I would like to also submit for the record a recent Goldman Sachs report showing how rising Chinese high tech exploits now coincide with slowing growth in importing countries as manufacturing losses outweigh import gains. It projects China growing about 0.6 percentage points faster annually, but at the expense of a 0.1 percentage point annual decrease with the rest of the world.

Chairman Moolenaar. Without objection.

[The information follows:]

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Mrs. Kim. Thank you very much.

So Chinese farms have a history of employing back-door tactics to evade sections and gain access to U.S. markets. Examples include investing billions into Mexico's auto sector, and acquiring foreign auto companies such as Volvo in 2010.

Ms. Dezenski, how serious is the threat posed by Chinese firms using automotive plants in Mexico to qualify for a tariff-free treatment and enter the U.S. market indirectly?

Ms. Dezenski. Thank you for the question.

I would point to two risks: One is yes, being able to use the mechanisms of the USMCA in a way that wasn't intended to kind of subvert what contact requirements are required for North American -- to meet the North American threshold, but being able to move around that because of local production in places like Mexico. So that is one thing we have to look at. But the second threat is actually to Mexico directly. And maybe more existential for them in the short-term, which is the influx of Chinese vehicles is actually hollowing out the domestic manufacturing capability in Mexico. They are selling so many of these vehicles that it impacts their ability to serve their own market, in addition to the effects for North America.

Mrs. Kim. Do you see any steps that Congress can take during the upcoming USMCA joint review to strengthen the rules of origin and prevent Chinese content from being laundered into North American vehicles.

Ms. Dezenski. Yes. One thing that we have to look at and really encourage our Mexican partners to do as well is look at the corporate ownership structures behind the manufacturing that is taking place. I have looked at some of the FDI numbers for Chinese investment in Mexico. The numbers are low, but what is happening on the ground is a different story. And it really makes me question, where is the capital coming from China?

In what form? What kind of assembly is taking place?

You know, there is importation of assembled vehicles, but then there is also assembly taking place in Mexico and parts and products. So I think we have to work with the Mexicans to get to the bottom of that, and root out where the money is coming from, what the corporate structures are and what the impact is.

Mrs. Kim. Great. Thank you.

Subcenter or counterfeit electronic parts in U.S. auto and defense systems pose a serious threat to or economic and national security. That is why we have regulations like Defense Federal Acquisition Regulation Supplement, or DFARS. That required contractors to meet strict standards to ensure the authenticity and quality of parts.

Mr. Ludwig, what threats do substandard, cloned or even intentionally malignant parts pose to nonmilitary infrastructure?

Mr. Ludwig. I think the threats are quite real. Again, what I would emphasize is that American businesses and CEOs, they will be very rationale actors in search of lowering the cost of their products. And so what this means in practice is that there is always sort of the seeking of the lowest cost component, and I do think that many companies may not be doing the proper diligence on the origin of the components, but rather purchasing those things because they are available in the American market. And so, this just points towards strengthening the restrictions in terms of trade inspections.

Mrs. Kim. Do you see any role that Congress can do to address those threats?

Mr. Ludwig. As an engineer, honestly policy is not my background or expertise, but I am happy to get back to you with recommendations.

Mrs. Kim. Thank you. With that, I yield back.

Chairman Moolenaar. Thank you. Representative Brown.

Ms. Brown. Thank you, Mr. Chair. This hearing is appropriately titled, and truly

reflects the threats we are facing. Let's be clear, this is not just about market competition. There is a coordinated campaign by the Chinese government to dominate the global auto industry through massive subsidies, force technology transfers and control over critical supply chains.

China heavily subsidizes its own car companies so they can sell vehicles for prices American businesses cannot fairly match. That threatens jobs in U.S. factories and weakens our domestic manufacturing base. On top of that, China has forced American companies to give up valuable technology as the price of doing business in their market. That means American innovation has been manipulated to the benefit of foreign competitors and foreign workers.

And for States like Ohio, the stakes are very real. We have lived through decades of plant closures, mass layoffs and chronic disinvestment that hollowed out communities across this State and the Midwest. Families lost good-paying jobs in the auto industry, not because of lack of skill or dedication, but because production was shipped overseas where plants were forced to close.

Now after years of hard work and major investment to rebuild America's industrial base, we are seeing real progress, especially toward building a thriving EV industry, and we cannot, we cannot allow China's unfair and unethical practices to undercut the gains our workers and communities have fought so hard to achieve. At the same time, the U.S. automakers face steep cost disadvantages because Chinese battery farms benefit from State support. And uncertainty around compliance standards, timelines and definitions risk slowing progress and raising costs for consumers.

So Ms. Dezenski, how can Federal agencies provide a stable framework that U.S. companies need to invest and U.S. workers need to compete effectively?

Ms. Dezenski. Thank you for the question. You have hit on some very important

elements and problems that the supply chain is facing, that the auto sector is facing more generally. I think it comes down to having short-term, midterm and long-term strategies that allow us to stay the course so that what we are putting in place in terms of important import restrictions, strategic tariffs on certain parts of the supply chain, subsidies that we might provide to advanced new technologies in different types of magnets that don't rely on rare earths, and there are so examples that we begin to think about it as a coordinated and structured approach.

And ultimately, the goal of all of this is economic prosperity through a strong manufacturing base where we own our future. But we need to have that commitment across the entire journey. And right now, I think we have pieces of it, but it is not necessarily coming together in a way that is going to get us to that objective. So there are a lot of pieces across the Federal Government that need to be further coordinated.

We talk about the idea of creating an economic Pentagon, we don't really need a Pentagon, but, you know, a structure where Federal agencies are more aligned around how we are using the tools and where we understand as a country and at a more granular detail where the vulnerabilities are. So all of this needs to be put on steroids. We need to do a much better job of planning this out.

Ms. Brown. Thank you. And there is another serious risk to China's entry into the auto industry: data security. Today's vehicles are not just cars, they are computers on wheels. They collect information about where we go, how we drive, and even what happens inside the vehicle through audio and visual monitoring. When that technology is tied to companies, that must answer to the Chinese Government, it raises real concerns about privacy, foreign surveillance and national security. So Mr. Ludwig, in simple terms what could a foreign government realistically do with that kind of information?

Mr. Ludwig. Thank you for the question, Congresswoman. To be honest, they

could do whatever you could imagine they could do. These vehicles do collect a lot of data, especially vehicles that have the more advanced to driving assistance systems. And that is data that is recorded while the vehicle is driving down the road. And that data is simply sent back to a manufacturer. And if the manufacturer is in China, certainly there are party members and executive ranks at those companies, and they can do whatever they want with that data.

Ms. Brown. Thank you very much.

Mr. Parton, you spoke about cellular modules and how our vehicles are already acting as surveillance tools. And in your written testimony you cited that China is the source for 69 percent of CIM's shipments, which aim to become the global monopoly in the CIM supply. With companies like Oukitel and Fibocom metastasizing by establishing partnerships in non Chinese companies and the unlikelihood that non Chinese companies could develop their own technology to compete, what safeguards should the U.S. put in place? And what could that technology -- what impact could that technology have on the workforce in the next 5 to 10 years?

Mr. Parton. Well, as I said earlier, in the testimony, I think I terms of vehicles, you have moved down that track, although the connected vehicle not yet fully implemented as a lead-in time. But that sort of regulation is going to mean that companies, automotive companies, have to avoid the Chinese companies Oukitel, Fibocom and others. All of them metastasizing companies under them. And I think, as I said earlier, I think that is a model that needs expanding throughout your industry, not just the automotive industry, but all the other areas of it.

If I could just go back very briefly on the question you asked earlier in terms of the source of threats, the vehicles can do -- I mean, here's a good example, the quality of cameras in vehicles now is sufficient to do facial recognition, lead out is nothing out of

everything. In the U.K., there have been bans on Chinese vehicles going within 2 miles of certain military bases. The Chinese, of course, do exactly the same, they ban Tesla vehicles from going into an air base (ph). So you can see that these vehicles and the data they are picking up put together their other data -- I mean, let's say you drive a car into, I don't know, Langley, Virginia, and then Hoover up all the faces and put names and identities to those faces. That is the sort of threat that is possible.

Chairman Moolenaar. Thank you. Representative LaHood.

Mr. LaHood. Thank you, Mr. Chairman. I want to thank you for having this very important hearing today. Let me thank our three witnesses for your perspectives and expertise today on this important topic. And when I think about the CCP and their made-in-China 2025 initiative, you know, they will use any tool at their disposal to beat the U.S. from a technological standpoint, from an economic standpoint, from a military standpoint, from a diplomatic standpoint. And I think we have seen that.

And this made-in-China 2025 initiative was designed for China to become the leading independent scientific and technological power in order to coerce governments at will. And we are seeing that in effect around the globe. Intellectual property theft, illegal state subsidies, and state-owned enterprises are all tactics that are deployed by the CCP to undermine global economic competition. The only thing standing in their way is our success in reducing their sources of leverage, which is part of our core mission on this bipartisan committee.

And China continues to use overcapacity and subsidies to hollow out the U.S. industry and the automotive industry. And it is -- as we have seen and heard today, same thing happened in shipbuilding, drones and the steel industry. And the CCP refuses to abide by the same rules and standards that every other industrialized country in the world abides by.

And nothing at this point should be taken on faith or trust alone when it pertains to the CCP. And purchases of new Chinese cars with today's amount of advanced technology is no different.

And so my question is to Ms. Dezenski. So in addition to serving on this committee, I also serve on the House Ways and Means Committee which has jurisdiction over trade matters. And we are in the process now of renewal of the USMCA, with obviously or partners with North America, Canada and Mexico. And so from my strategic competition standpoint thinking about China, from your viewpoint, what should our Ways and Means Committee be aware of in terms of our discussions with neighbor countries?

Ms. Dezenski. Thank you for that important question. I think there is a lot on the table. And initially when there was discussion about opening up the USMCA to go beyond a review to more of a renegotiation, I was concerned that that would be problematic for a trade deal that has worked reasonably well. Now, I feel a little bit differently. I think there is way too much on the national security agenda to leave that deal as is. We really need to be thinking about building something like Fortress North America when it comes to the automotive sector and other critical industries.

We are deeply tied in to Canada and Mexico with coproduction. I believe that that creates jobs in the U.S. and it creates jobs elsewhere. That is not a bad thing. We can do more to reshore, but we can also do more to coproduce in a competitive way. We have that infrastructure available and the North American free trade alignment is probably the strongest in the world. So I think we need to figure out how to protect it, but it has to be responsive to today's threats. What does that mean? On a practical level it means common trade enforcement mechanisms. It means more information sharing. It means common import structures. And I know not all of this can be done at once but we have to get the playbook together of what will bring alignment across North America. I think if we

don't do that, then we are really at risk of having a fracture where we should have something that is stronger when it comes to protecting our common national security framework.

Mr. LaHood. That is really helpful. We may need you to testify at Ways and Means on that exact point.

Ms. Dezenski. I would be honored.

Mr. LaHood. Thank you.

Mr. Ludwig, Chinese investment and research is rising six times faster than the U.S., and is expected to take over U.S. in spending within a decade. From my public policy standpoint, what should we be looking at to reverse that or in terms of developing and fostering innovation and to bolster America's leadership as it relates to the international competition against the CCP?

Mr. Ludwig. Thank you for the question, Congressman. So I would just underline that the perception that China is beginning to lead in R&D is absolutely real. My company, which is really an engineering company we attend most of the top conferences in AI, including conferences like CVPR, which is one of the leading AI conferences. And 2025 was a bit of a tipping point where now a majority of the top papers in the conference are coming out of Chinese institutions. In order to reverse that, that will require a really tremendous investment on behalf of the American government and U.S. universities. We just have to recognize that China, at this point, does have a lot of good universities and is graduating a lot of engineering talent. And so we have to be very strategic in the investments that we are making to ensure that the most important industries in AI technologies have the appropriate funding and support.

Mr. LaHood. Thank you for that. I yield back. Thank you, Mr. Chairman.

Chairman Moolenaar. Thank you. Representative Stevens.

Ms. Stevens. Thank you, Mr. Chair. As several of you have mentioned -- China has produced over 30 million vehicles in the last year, and it is confronting a severe domestic demand shortfall. And rather than allowing market forces to correct the imbalance, the Chinese Communist Party has relied on state subsidies, on nonmarket pricing, and export pressure to push excess vehicles and components into foreign markets as a release valve for its own economic instability. And so, alongside our chair, I represent Michigan, the heart of American auto manufacturing where our auto industry competes on safety, quality and innovation, not on predatory pricing or government-directed overproduction. And this is exactly why I introduced bold legislation called the No Chinese Cars Act to protect Michigan auto workers from Chinese companies who want to engage in bad faith trade practices, and prevent the circumvention of some of the rules that we have from USMCA into our market. And, so look, we are seeing a disturbing parallel trend as Chinese overcapacity floods global auto supply chains, counterfeit aftermarket components, including air bags and inflators that have sometimes even led to American deaths are entering the U.S. through opaque import routes, online marketplaces and informal distribution networks. It is concerning because today's vehicles are no longer just physical products, but connected systems carrying software data and safety-critical technologies that can embed long-term risk into our economy and our infrastructure.

Once installed, these parts are nearly impossible to trace. Undermining recalls, owner notification and, of course, public safety. And it is a real delight to have my friend Peter Ludwig here from Applied Intuition and your great team. We boast that Applied Intuition is in my district, in Michigan's 11th District of Royal Oak. I still have the photo that you nicely gave me of the ribbon cutting and we celebrate your success.

But I am curious from the panel how should Congress understand the connection between China's State driven over production, the pressure to gain access to the U.S. vehicle

market, and particularly, Peter, for the space that you are in, because we -- with the audit industry in AI and the ones and zeros, you know, there is traceability, there is supply chain visibility. The reason you and I know each other is because I have visited hundreds of automotive supplier companies in my district throughout Michigan, we want to compete and we want to win so --

Mr. Ludwig. Thank you for the question, Congresswoman. Referencing my earlier statements as well, the key thing is recognition that the Chinese auto industry is structurally incentivized to dominate rather than to profit. And in that quest of domination, this means that prices that are extremely low and I do think that from our American perspective we have to look at really costs and equalizing costs to ensure that our American companies can be competitive.

Ms. Stevens. Are you getting what you need on that front?

Mr. Ludwig. As an engineer, I am not so deep in that specific topic, but I am happy to get back to you on that.

Ms. Stevens. Well, we love your engineering and you Michigan-based roots, and all you have done, and particularly, with the great intersection that is just between your enterprise and the automotive sector and how we want to compete and win. Now we are in a challenged time. MichAuto just came out with a great study showing where the American auto industry is right now vis-à-vis our competitors. And it is real, it is a real competition. Our auto executives are certainly waking up every day with the ferocity of trying to being the largest exporter of vehicles in the world. We want to continue to dig on these perks components questions. Glad to hear about the bipartisan legislation. And I want to continue to push for my legislation, the No Chinese Cars Act, to make its way into something like the USMCA going forward.

So with that, Mr. Chair, thank you again for the very elucidating and important panel.

I yield back.

Chairman Moolenaar. Thank you. And Representative Johnson.

Mr. Johnson. Thank you, Mr. Chairman, Mr. Ranking Member. I'm sorry I am coming in a little hot, I was in the chair over at agriculture. And you can't just walk out in the middle of a hearing if you are running it, as you well know, sir. This is a fascinating topic to me. I want to thank our witnesses. I thought your prefiled testimony was excellent.

This is a big, big problem. And I am not sure America is paying anywhere enough attention, and I think you coaching us about the very real way in giving the Chinese Communist Party leverage over so many pieces of critical American infrastructure is a big problem. It was just something like LiDAR. This is not a technology that most of America understands. And yet, it is giving the Chinese Communist Party eyes into how almost everything important in America connects together and is mapped. Just think about how much leverage that gives the PRC in times of conflict with our country. And so, that is why I have introduced legislation that would just make it clear the Department of Transportation is not going to be spending our taxpayer dollars toward Chinese LiDAR.

I want to start with you, ma'am. I want to thank FDD Action for endorsing my bill. I think that is helpful rocket fuel to make sure that we continue to build momentum.

Talk a little bit more about the legislation. Are we headed in the right direction?

Ms. Dezenski. I think we are headed in the right direction. And I appreciate that you see the value in raising the temperature around all of this.

A couple of thoughts come into mind as you were speaking, and it has to do with China and how they are viewing our action or inaction. The CCP is betting that we won't strike back, that we will not take a comprehensive approach to protecting our markets. Tariffs are sending a different message, that is good, but we know we need to do more.

The CCP is betting that Europe won't take action, that they won't get their act together. And they also betting that Mexico will eventually becomes a base of operation, and potentially back door, maybe through components and parts, maybe more.

So we really need to do a better job of conveying what it is that our economic adversary thinks we are capable of and not capable of, and what our counter to that needs to be, what our strategy needs to be. So I think anything that we can do to both highlight these risks and point out where there are opportunities to move away from Chinese technology to move away from ownership structures that are too onerous and give control to the wrong people and coordinated use of import and tariff-type barriers, all of that needs to work in concert. Thank you.

Mr. Johnson. So let's get a little bit more specific, you talk about the need for a comprehensive approach, of course passed Dusty's bill, that's great. And so many people on this committee have been supportive of that and I am grateful. But what else? I mean, you talked in generalities there a little bit at the end. Are there particular pieces of legislation or particular tactical moves that we, this committee, should be focused on right now?

Ms. Dezenski. Yeah. So we have talked a little bit about the importance of the connected vehicle rule which I think all of us agree needs to be enforced and codified. I would also suggest that we take that concept and apply it more broadly to the automotive supply chain. Wherever there are supply chain vulnerabilities, we need to look more broadly. Connected vehicles is an absolutely critical piece of this puzzle, but it is not the only piece. And the reason why this regulation is particularly important is because of what it does to shift the market dynamics. For example, companies that might think twice about Chinese ownership, or might look to divest of Chinese ownership in order to meet the requirements of the connected vehicle rule. Supply chain shifts for the same reason. We

need to use the regulatory framework to incentivize the market shifts, because ultimately, these supply chains are owned by the private sector and they make decisions based on a business case.

Mr. Johnson. Mr. Chairman, I would close by saying this, I cannot believe we are going to do this again. Before coming to Congress I was in telecommunications sector, and there were so many instances in which we made a mistake by allowing Huawei to create massive American vulnerabilities throughout the telecommunications regime. We all figured it out together on a bipartisan basis. We embarked on a billion and billion and billion dollar rip-and-replace voyage, which we are still not completely done with. And yet here we are in so many areas, whether it is the software that runs the ports or the LiDAR that is running so many parts of our transportation infrastructure. We need to shut the barn door before all of the damn cattle are out.

And with that, I would yield back.

Chairman Moolenaar. Thank you. Representative Stanton.

Mr. Stanton. Thank you very much. I want to build on a question that Ranking Member Krishnamoorthi asked earlier, particularly in light of the fact that we were entering into modernizing the USMCA, and renegotiating USMCA.

So Ms. Dezenski, what barriers do you think we should implement to ensure China doesn't use Mexico as a back door to the U.S. market without alienating the partners we need for a secure supply chain?

Ms. Dezenski. Well, I would internally look towards common trade enforcement activities that need to be happening at a much greater scale. So we need to be working with the Mexicans and the Canadians on transshipment issues, rules of origin, any sort of obfuscation of these shipments that are coming where we may not have the visibility that we need. That is also connected to broader trade enforcement infrastructure.

We talked a little bit earlier about cranes, for example, and not controlling surveillance technology. But it goes even deeper than that. We actually don't have a view on supply-chain logistics and manifest information in that way that we need together with North American partners. So there is a whole range of things that need to have on the trade enforcement side. Then we need to look at common import restrictions and barriers that make it impossible, really, for Chinese companies to move around that Fortress North America type of construct. That is how we need to be thinking about it and that is where our trade engagement can be leveraged to meet these broader national security objectives.

Mr. Stanton. I really approach that. And then I think it's been covered throughout this hearing, but Mr. Ludwig maybe could finish up the hearing, the risk of cutting U.S. incentives and support for this important industry for the United States to be able to compete as strongly as possible with the Chinese EV industry, what are the risks?

Mr. Ludwig. I think the risk is the loss of the industry in such a way that it cannot be easily built back. And it is not only the job, it is also just the foundational capability to build things. And I think our country has lost a lot of that over the past 30 years and we shouldn't let it continue further.

Mr. Stanton. I really appreciate that. I yield back.

Chairman Moolenaar. All right. Thank you very much. And I want to thank all of our witnesses today. Fantastic discussion and presentation, and really grateful for your insights.

And with that, I know any written comments, testimony is due 1 week from today, and with that, we are adjourned.

[Whereupon, at 11:35 a.m., the committee was adjourned.]